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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO

ARTIFEX SOFTWARE, INC., Plaintiff, v. BIGTINCAN MOBILE PTY LTD. and BTC MOBILITY LLC, Defendants.	Case No. 5:14-cv-05415-EMC **DEFENDANTS BIGTINCAN MOBILE PTY LTD. AND BTC MOBILITY LLC'S MOTION TO DISMISS THE FIRST AMENDED COMPLAINT, OR, ALTERNATIVELY, STAY THIS ACTION** Date: May 7, 2015 Time: 1:30 p.m. Ctrm.: 5 Judge: Judge Edward M. Chen

NOTICE OF MOTION AND MOTION

PLEASE TAKE NOTICE THAT on May 7, 2015, at 1:30 p.m., before the Honorable Edward M. Chen, in Courtroom 5 of the United States District Court for the Northern District of California, San Francisco Courthouse, 450 Golden Gate Avenue, San Francisco, California 94102, defendants BigTinCan Mobile Pty. Ltd. ("BTC Mobile") and BTC Mobility LLC ("BTC Mobility") will and hereby do move the Court, pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure and the doctrine of forum nonconveniens, to dismiss the First Amended Complaint in the above-captioned action with prejudice, or, alternatively, to stay this action pending the resolution of a declaratory judgment action that is pending in England. The grounds for this motion are as follows:

(1) the Plaintiff has failed to state a claim on which relief can be granted (Fed. R. Civ. P. 12(b)(6)); and

(2) the courts of England are a significantly more appropriate forum for resolution of the license dispute underlying this action (forum nonconveniens).

This Motion is based upon the Notice of Motion and Motion, the accompanying Memorandum of Points and Authorities, the accompanying Declaration of Cohen and the exhibits attached thereto, the proposed Order filed concurrently herewith, the records and files in this action, and any other matters of which this Court may take judicial notice.

STATEMENT OF REQUESTED RELIEF

Pursuant to Federal Rule of Civil Procedure 12(b)(6), the doctrine of forum nonconveniens, and other legal authority cited herein, defendants BTC Mobile and BTC Mobility seek an order dismissing the First Amended Complaint in this action with prejudice. In the alternative, if the Court does not dismiss the First Amended Complaint, BTC Mobile and BTC Mobility seek an order staying this action pending the resolution of the declaratory judgment action pending in England between plaintiff Artifex and BTC Mobile and BTC Mobility's parent company, BigTinCan Holdings Pty. Ltd.

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I. INTRODUCTION

Defendants BigTinCan Mobile Pty. Ltd. ("BTC Mobile") and BTC Mobility LLC ("BTC Mobility")'s motion to dismiss the First Amended Complaint or, alternatively, stay this action should be granted for two reasons:

First, the First Amended Complaint should be dismissed because the plaintiff—Artifex Software, Inc. ("Artifex")—has failed to state a claim on which relief can be granted. (*See* Fed. R. Civ. P. 12(b)(6).) Artifex's claim for copyright infringement is deficient because Artifex has failed to plead that BTC Mobile has copied any work that has been *registered in accordance with the Copyright Act or is exempt from registration*. Artifex's claim for trade secret misappropriation is deficient because Artifex has not pleaded (a) facts demonstrating a basis for subject-matter jurisdiction over that claim; or (b) facts identifying which aspects of the source code at issue are trade secrets that have been misappropriated.

Second, the courts of England are a significantly more appropriate forum for resolution of the license dispute on which this entire action rests: whether the parent company of BTC Mobile and BTC Mobility—BigTinCan Holdings Pty. Ltd. ("Holdings"), which is licensed to the asserted SmartOffice technology—is entitled to permit its wholly owned subsidiary, BTC Mobile, to use SmartOffice source code. If so, this case ends. Holdings has initiated a declaratory judgment action against Artifex in England that will address and resolve that very issue. England is the appropriate forum for resolving the issue, and Artifex has confirmed that it intends to litigate the declaratory judgment claim in England.[1] The underlying license agreement is governed by English law and provides for jurisdiction in the English courts. Moreover, Artifex claims that it, as the new owner of the SmartOffice technology, has "stepped into the shoes" of the licensor for purposes of the underlying license agreement. In addition, numerous key witnesses reside in Scotland and can be summonsed to trial by the courts of England. Under the doctrine of forum nonconveniens and this Court's inherent ability to control its docket, this Court should dismiss this action or stay it pending resolution of the English action.

[1] In the English proceedings, Artifex has filed an Acknowledgement of Service, confirming that it intends to defend all of the declaratory judgment claim in the English action and has not contested the English court's jurisdiction.

II. FACTUAL AND PROCEDURAL BACKGROUND

A. Holdings, BTC Mobile, and BTC Mobility.

Holdings is a software company that is incorporated and based in Australia. It is the holding company of a group of companies that includes BTC Mobile and BTC Mobility. (*See* Declaration of Geoffrey Cohen ("Cohen Decl.") ¶ 3.)

BTC Mobile is a wholly owned subsidiary of Holdings. (*Id.* ¶ 5.) It is incorporated and headquartered in Australia. For several years, BTC Mobile has marketed a software application that it developed called "bigtincan hub" ("BTC Hub")—a software application designed for and marketed to commercial organizations to facilitate remote working (*i.e.*, employees working away from the office). (*Id.*) BTC Mobile owns subsidiaries in the United Kingdom (BigTinCan U.K. Limited ("BTC UK Limited")) and in the United States (BTC Mobility). (*Id.*) BTC Mobility promotes BTC Mobile's products and identifies potential sales prospects for BTC Mobile. (*Id.* ¶ 6.)

B. The Picsel License.

On or about January 22, 2014, Holdings acquired a license to use and license others to use "Picsel and SmartOffice" technology (the "Picsel License") from Picsel International Limited ("Picsel") (a Scottish company then in liquidation in Scotland) and its liquidator (an individual who resides and works in Scotland). (*Id.* ¶¶ 7, 9, 12-13 and Exh. A.) The Picsel License provides, among other things, that Holdings may use Picsel's "SmartOffice" technology within a defined "field of use" and use the SmartOffice source code as needed to do so. (*Id.* at Exh. A at §§ 1 and 3.) The Picsel License is governed by English law and provides for jurisdiction in the English courts for resolution of disputes. (*Id.* at Exh. A at signature page.)

Under a proper construction of the Picsel License, Holdings is entitled to permit its wholly owned subsidiary BTC Mobile to use, adapt, and amend the SmartOffice source code that was provided to Holdings under the Picsel License, for use in the BTC Hub, and Holdings has permitted BTC Mobile to do so. (*Id.* at Exh. A at §§ 1 and 3; Cohen Decl. ¶ 8.)

In August 2014, Artifex—through counsel—sent a letter to Holdings, stating, among other things, that Artifex now owns the Picsel IP that is the subject of the Picsel License and has "stepped into the shoes of Picsel International Limited for purposes of the License." (*See* Cohen Decl. ¶ 22 and Exh. E.)

C. Artifex's Complaint Against Holdings in California.

On December 11, 2014, Artifex filed its original complaint in this action, naming Holdings as the sole defendant. (*See* Dkt. No. 1.) In its complaint, Artifex alleged that on February 18, 2014—almost four weeks *after* Holdings obtained the Picsel License—the liquidator of Picsel International "sold Artifex the IP [intellectual property] assets to the SmartOffice application as part of the liquidation and administration of those defunct companies." (*Id.* ¶ 14.)[2] In addition, Artifex alleged that Holdings has infringed Artifex's copyright and misappropriated its trade secrets relating to SmartOffice "by copying, distributing, and/or licensing its product 'bigtincan hub,' which utilizes the Picsel IP," and Artifex further alleged that such use of the Picsel IP is outside the scope of the "field of use" of the license granted to Holdings under the Picsel License." (Dkt. No. 1 at ¶ 31, 36-37.)

On January 6, 2015, Holdings filed a motion to dismiss Artifex's complaint on the grounds that, among other things: (a) the Court lacks personal jurisdiction over Holdings, an Australian company; (b) Artifex failed to state a claim on which relief can be granted; and (c) the courts of England are a significantly more appropriate forum for resolution of the license dispute underlying Artifex's claims (forum nonconveniens). (*See* Dkt. No. 9.)

D. Holdings's Action Against Artifex in England.

On January 6, 2015, Holdings commenced a declaratory judgment action against Artifex in England. (*See* Cohen Decl. ¶ 18 and Exh. B.) In the action in England, Holdings has requested, among other things, a judicial declaration that incorporation of the SmartOffice technology in BTC Hub products is within the "field of use" as defined in its license from Picsel and the Scottish liquidator, the Picsel License, and is within the scope of the Picsel License—precisely the issue on which Artifex's claims in its complaint against Holdings turned. (*See* Cohen Decl. ¶ 18 and Exh. B; Dkt. No. 1 at ¶¶ 19-28, 29-40.)

[2] To the extent that Artifex acquired the Picsel IP, it thus did so subject to the pre-existing Picsel License to Holdings.

Key witnesses as to the background and the negotiations that resulted in the Picsel License are residents of Scotland—including the inventor of the SmartOffice technology (Dr. Majid Anwar), the recent SmartOffice global sales/product manager (Kashif Khan), Picsel's Scottish liquidator (Brian Milne), the liquidator's legal representative (David Flint), and the former SmartOffice Engineering Manager (and current BTC UK Limited employee) who participated in the negotiations that resulted in the license (Andrew Cosgrove)—and can be summonsed by the courts of England. (*See* Cohen Decl. ¶¶ 13-17, 21.)

E. Artifex's Dismissal of Claims Against Holdings, and Its Complaint Against BTC Mobile and BTC Mobility in California.

In the California action, Artifex made no attempt to oppose Holdings's motion to dismiss. On January 20, 2015, Artifex voluntarily dismissed its claims against Holdings. (*See* Dkt. No. 20.) That same day, Artifex filed a First Amended Complaint, dropping Holdings as a party and naming Holdings' subsidiaries, BTC Mobile and BTC Mobility, as defendants. (Dkt. No. 18.)

Artifex asserts three claims: copyright infringement by BTC Mobile; contributory copyright infringement by BTC Mobility; and misappropriation of trade secrets by BTC Mobile and BTC Mobility. (*Id.*) All three claims rest on the allegation that Holdings—the parent company of BTC Mobile and BTC Mobility—is not entitled to permit BTC Mobile to use Smart Office source code under the preexisting Picsel License granted to Holdings. (*See* Dkt. No. 18 at ¶¶ 22-25.)

F. Artifex's Confirmation that It Intends to Litigate the License Dispute in England.

On February 13, 2015, Holdings amended its claims in the English action to add a request for a declaration that Holdings is entitled to permit BTC Mobile to use and/or amend and/or adapt the source code provided to Holdings under the Picsel License, for use in the BTC Hub. (*See* Cohen Decl. ¶ 19 and Exh. C.) In the English action, Holdings also continues to seek a judicial declaration that the BTC Hub is within the scope of the "field of use" of the Picsel License. (*Id.*) Although the First Amended Complaint in this California action does not allege that the BTC Hub is outside the scope of the "field of use" of the Picsel License, Artifex has informed Holdings, BTC Mobile, and BTC Mobility that Artifex has not abandoned that allegation. (*See* accompanying Declaration of Nathan L. Walker ("Walker Decl."), Exh. A.)

On February 24, 2015, Artifex filed an Acknowledgement of Service in the English action, confirming that Artifex intends to defend the declaratory judgment claim in England and has not contested the English court's jurisdiction. (*See* Cohen Decl. Exh. D.)

III. ARGUMENT

A. The First Amended Complaint Should Be Dismissed Pursuant to Rule 12(b)(6) for Failure to State a Claim on Which Relief Can Be Granted.

Artifex asserts three claims: (i) copyright infringement by BTC Mobile, (ii) contributory copyright infringement by BTC Mobility, and (iii) misappropriation of trade secrets by both BTC Mobile and BTC Mobility. (*See* Dkt. No. 18 at ¶¶ 42-64.) As detailed below, Artifex has failed to plead sufficient facts to support any of these claims.

1. Artifex Has Failed to State a Claim Against BTC Mobile For Direct Copyright Infringement.

The elements of copyright infringement are: (1) ownership of a valid copyright; and (2) copying of original elements of the work. *See* 17 U.S.C. § 501(c) (2002); *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). To plead these elements sufficiently under Rule 8(a), a plaintiff must allege: "(1) which specific original works are the subject of the copyright claim; (2) that the plaintiff owns the copyrights in those works; (3) that the copyrights have been registered in accordance with the [Copyright Act]; and (4) 'by what acts during what time' the defendant infringed the copyright." *See Ipreo Holdings LLC v. Thomson Reuters Corp.*, No. 09 CV. 8099 BSJ, 2011 WL 855872, at *5 (S.D.N.Y. Mar. 8, 2011).

Here, Artifex has failed to plead that BTC Mobile copied any copyrighted work that has been registered in accordance with the Copyright Act or is exempt from registration. Under the Copyright Act, "no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with [the Act]." *See* 17 U.S.C. § 411(a) (2008); *KEMA, Inc. v. Koperwhats*, 658 F. Supp. 2d 1022, 1028 (N.D. Cal. 2009). "Registration of a copyrighted work with the Copyright Office is a prerequisite to filing suit under copyright law." *Zito v. Steeplechase Films, Inc.*, 267

F. Supp. 2d 1022, 1025 (N.D. Cal. 2003). "Registration is a jurisdictional requirement." *Id.* Here, the only material that Artifex has pleaded in its First Amended Complaint is registered with the Copyright Office is "version 2.1 of the SmartOffice source code[.]" (*See* Dkt. No. 18 at ¶ 20.) Artifex, however, has not pleaded that BTC Mobile has copied (or distributed, licensed or used) any portion of version 2.1 of the SmartOffice source code. Nor has Artifex pleaded any facts to support a conclusion that BTC Mobile has copied a copyrighted work that is not required to be registered with the Copyright Office. On the basis of inadequate copyright allegations, Artifex's claim for direct copyright infringement (Count I) should be dismissed.

2. Because Artifex Has Failed to State a Claim For Direct Copyright Infringement By BTC Mobile, Artifex Likewise Has Failed to State a Claim for Contributory Copyright Infringement By BTC Mobility.

To state a claim for contributory copyright infringement against BTC Mobility, Artifex must plead: (1) direct copyright infringement by BTC Mobile; (2) knowledge by BTC Mobility that BTC Mobile was directly infringing; and (3) substantial participation by BTC Mobility in the infringing activity. *See Fonovisa, Inc. v. Napster, Inc.*, No. C 01-02669, 2002 WL 398676, at *4 (N.D. Cal. Jan. 28, 2002). Artifex has not done so. Because Artifex has failed to state a claim for direct copyright infringement by BTC Mobile (*see* discussion *supra*), it likewise has failed to state a claim for contributory infringement against BTC Mobility.

3. The Trade Secret Misappropriation Claim Should Be Dismissed.

a) Since the Federal Copyright Claims Should Be Dismissed, the State Law Trade Secret Claim Likewise Should Be Dismissed.

Once the federal Copyright Act claims in Counts I and II are dismissed, there is no basis for subject matter jurisdiction over Artifex's state law trade secret claim in Count III.

Artifex acknowledges that any jurisdiction over Count III in this Court is supplemental, predicated on 28 U.S.C. § 1367. (*See* Dkt. No. 18 at ¶¶ 9-10.) Generally, when all of the federal counts in a complaint are dismissed early in the proceeding, any pendent state law counts are dismissed as well, for lack of subject-matter jurisdiction. *See Acri v. Varian Assocs.*, 114 F.3d 999, 1000 (9th Cir. 1997) (acknowledging that, while not compulsory under 28 U.S.C. § 1367, "state law claims *should* be dismissed if federal claims are dismissed" before trial (emphasis added) (internal quotation marks omitted)).

b) Artifex Has Failed to Plead Its Trade Secret Misappropriation Claim with Sufficient Particularity.

The trade secret count also fails because it is not pleaded with the requisite particularity. To state a *prima facie* claim for misappropriation in California, a plaintiff must allege (1) that it possesses a trade secret and (2) that the defendant actually misappropriated or threatened to misappropriate the trade secret through either wrongful acquisition, disclosure, or use. *See Silvaco Data Sys. v. Intel Corp.*, 109 Cal. Rptr. 3d 27, 38 (Cal. Ct. App. 2010).

Artifex's First Amended Complaint is impermissibly conclusory because it rests on legal contentions disguised as factual pleadings that mirror the element of "trade secrets."[3] There must be some minimally plausible factual explanation of which aspects of the SmartOffice source code trade secret protection applies. *See Synopsys, Inc. v. ATopTech, Inc.*, No. C 13-cv-02965 SC, 2013 WL 5770542, at *17 (N.D. Cal. Oct. 24, 2013) (dismissing a trade secret claim for failure to plead with particularity facts that would allow defendant to determine where trade secret protection begins and ends as to what parts of the accused product). Although Artifex alleges that its trade secrets consist of "non-open-source" portions of Artifex's source code, Artifex's allegations lack any specifics as to which portions of the SmartOffice source code are "non-open-source" or are not otherwise generally known to the public. Artifex has failed to specify which aspects of the SmartOffice source code it contends are protected trade secrets that have been misappropriated. Thus, Count III should be dismissed.

[3] Artifex alleges that its trade secrets "consist[] of software and other information not generally known to the public, including, but not limited to the SmartOffice source code. Artifex has taken reasonable measures to maintain its secrecy. It is the product of substantial investment that would be lost or substantially lessened by disclosure to the public. SmartOffice cannot easily be duplicated or altered without specific knowledge of and access to Artifex's source code. The non-open-source portions of Artifex's source code therefore constitute and comprise 'trade secrets' under applicable law." (Dkt. No. 18 at ¶ 54.)

B. The First Amended Complaint Should Be Dismissed on Grounds of Forum Nonconveniens.

The Court also should dismiss this action under the doctrine of forum nonconveniens. *Creative Tech. Ltd. v. Aztech Sys. PTE*, 61 F.3d 696, 703-04 (9th Cir. 1995) (affirming a dismissal on forum nonconveniens grounds in favor of allowing adjudication of a U.S. copyright infringement claim in Singapore where the balance of interests favored dismissal).

The Ninth Circuit follows the Supreme Court's private and public interests test in *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 241 (1981), when determining whether a defendant has made a sufficiently strong showing of inconvenience to warrant upsetting the plaintiff's choice of forum. *Creative Tech.*, 61 F.3d at 699.

Private factors include the "relative ease of access to sources of proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining attendance of willing, witnesses; possibility of view of premises, if view would be appropriate to the action; and all other practical problems that make trial of a case easy, expeditious and inexpensive." *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947); *see also Creative Tech.*, 61 F.3d at 703.

Public factors include "the administrative difficulties flowing from court congestion; the 'local interest in having localized controversies decided at home'; the interest in having the trial of a diversity case in a forum that is at home with the law that must govern the action; the avoidance of unnecessary problems in conflict of laws, or in the application of foreign law; and the unfairness of burdening citizens in an unrelated forum with jury duty." *Piper Aircraft*, 454 U.S. at 241 n.6 (quoting *Gulf Oil Corp.*, 330 U.S. at 509); *see also Creative Tech.*, 61 F.3d at 703-04.

Here, although Artifex claims to be located within the state and elected to bring suit here, other factors weigh heavily in favor of England:

- The Picsel License provides that it is governed by English law (*see* Cohen Decl. at Exh. A at signature page);
- The Picsel License provides that the English courts have jurisdiction over disputes between the parties to the license (*id.*);
- The assets in question—SmartOffice source code—derived from a company or companies in Scotland (*id.* at ¶ 9);

- Both Holdings and Artifex acquired their respective rights to SmartOffice IP—Holdings via a license of technology and Artifex allegedly by a subsequent purchase of assets—from the Scottish liquidator for Picsel, who resides in Scotland (*see* Cohen Decl. ¶ 7; Dkt. No. 18 at ¶¶ 15-17);

- Key witnesses as to the background and the negotiations that resulted in the Picsel License are residents of Scotland—including the inventor of the SmartOffice technology (Dr. Majid Anwar), the recent SmartOffice global sales/product manager (Kashif Khan), the Scottish liquidator (Brian Milne) and his legal representative (David Flint), and a former SmartOffice Engineering Manager (and current BTC UK Limited employee) who participated in the negotiations that resulted in the license (Andrew Cosgrove)—and can be summonsed by the courts of England (*see* Cohen Decl. ¶¶ 13-17, 21); and

- Holdings, as Defendants' parent company, has commenced a declaratory judgment action in England against Artifex for a determination that incorporation of SmartOffice technology in BTC Hub is within the "field of use" under the Picsel License and that it is entitled to permit BTC Mobile to use Smart Office source code, and the jurisdiction of the English court has not been contested by Artifex. (*Id.* ¶¶ 18-20 and Exhs. B, C, and D.)

This case satisfies the *Piper* test for application of the forum nonconveniens doctrine. First, there is an adequate alternative forum in England. Holdings has commenced an action in England that will address and resolve the very license dispute on which this action turns: whether Holdings—the parent company of BTC Mobile and BTC Mobility—is entitled to permit BTC Mobile to use Smart Office source code, under a preexisting license granted to Holdings.

Artifex itself has confirmed that it intends to litigate the declaratory judgment claim in the English action and has not contested the English court's jurisdiction. (*See* Cohen Decl. ¶ 20 and Exh. D.) As the Picsel License is, by its terms, governed by English law, English judges will be in a better position to interpret it than an American jury. (*Id.* at Exh. A at signature page.)

Second, private factors favor dismissal of this action and trial in England. Proof as to this issue will be more readily available in England, as the inventor of SmartOffice technology, the Picsel liquidator and his counsel, and other persons involved in the negotiation of the Picsel License are located there. (*Id.* ¶ 21)

Third, public factors favor dismissal. California has little or no interest *per se* in the dispute as to the scope of a license that was entered into by a Scottish licensor (and its Scottish liquidator) and which is governed by English law and the interpretation of which is being adjudicated by the English Court. The U.S. Copyright Registration for the asserted version 2.1

of the SmartOffice source code came into being only ***after*** the Picsel License was signed. By contrast, the courts of England have more of an interest in adjudicating—under English law—differing IP rights Holdings and Artifex acquired from Picsel's liquidator in Scotland.

C. If the Court Does Not Dismiss the First Amended Complaint, the Court Should Stay this Action Pending Resolution of the Declaratory Judgment Action in England.

If the Court does not dismiss the First Amended Complaint pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, or the doctrine of forum nonconveniens, the Court should stay this action pending resolution of the declaratory judgment action in England. The action in England will address and resolve the license issue that underlies this action: whether Holdings—the parent company of BTC Mobile and BTC Mobility—is entitled to permit BTC Mobile to use SmartOffice source code under a preexisting license granted to Holdings. The courts of England are the appropriate forum for resolution of this issue because: (a) the Picsel License is governed by English law (*see* Cohen Decl**.** at Exh. A at signature page); (c) the parties to the Picsel License submitted to the jurisdiction of the English courts (*id.*); (d) Artifex claims that it—as the new owner the SmartOffice technology—has "stepped into the shoes" of the licensor party to the Picsel License (Picsel) for purposes of the Picsel License (*id.* ¶ 22 and Exh. E); (d) numerous key witness are located in Scotland (which is near England and part of the United Kingdom) and can be summonsed by the English courts to appear at trial in England, and cannot be summonsed to appear in California (*id.* ¶¶ 9-21.); and (e) Artifex has confirmed that it intends to litigate the declaratory judgment claim in the England action (*id.* ¶ 20 and Exh. D).

IV. CONCLUSION

For the above reasons—Artifex's failure to state a claim and forum nonconveniens—the First Amended Complaint should be dismissed with prejudice. If the Court does not dismiss the First Amended Complaint, the Court should stay this action pending resolution of the pending declaratory judgment action in England.

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Dated: March 27, 2015

Respectfully submitted,

BigTinCan Mobile Pty. Ltd. and BTC Mobility LLC

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